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FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4024
INFO RUEHGB/AMEMBASSY BAGHDAD IMMEDIATE 0296
RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 3184
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RUEHIL/AMEMBASSY ISLAMABAD IMMEDIATE 2067
RUEHBUL/AMEMBASSY KABUL IMMEDIATE 0564
RUEHLO/AMEMBASSY LONDON IMMEDIATE 2030
RUEHMO/AMEMBASSY MOSCOW IMMEDIATE 2277
RUEHOT/AMEMBASSY OTTAWA IMMEDIATE 9646
RUEHFR/AMEMBASSY PARIS IMMEDIATE 6081
RUEHGO/AMEMBASSY RANGOON IMMEDIATE 2330
RUEHRO/AMEMBASSY ROME IMMEDIATE 2084
RUEHUL/AMEMBASSY SEOUL IMMEDIATE 9201
RUEHTV/AMEMBASSY TEL AVIV IMMEDIATE 0755
RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 7645
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S E C R E T SECTION 01 OF 06 TOKYO 001238

SIPDIS

NSC FOR KFRASER, DWILDER
OSD FOR JSHINN

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SUBJECT: SCENESSETTER FOR THE DEPUTY SECRETARY'S MAY 08-11
VISIT TO TOKYO

Classified By: Charge J. Donovan, reasons 1.4(b),(d).

(S) Embassy Tokyo is transmitting the scenesetter for the visit of Deputy Secretary John D. Negroponte to Tokyo, which was sent directly to the Department via email on May 2. Text follows.

Begin Text:

Mr. Deputy Secretary,

I am sorry I will not be in Tokyo for your visit, but look forward to meeting you in Washington before your departure. Your visit will be an opportunity to once again underline for our Japanese friends the overriding importance the United States attaches to our relations with Japan. Prime Minister Fukuda, while more cautious than either Abe or Koizumi, is a solid supporter of the alliance. Battered by a plunging stock market, government scandals, and the perception he lacks leadership and vision, Fukuda's poll numbers have dropped dramatically since becoming Prime Minister. Currently, his support rate is in the mid-twenties -- higher than opposition leader Ozawa's -- but still in the danger zone for Japanese prime ministers.

The ruling Liberal Democratic Party's (LDP) dramatic defeat in the July 2007 Upper House election created a divided Diet for the first time in over fifty years. Absent a grand compromise by the LDP and the opposition Democratic Party of Japan (DPJ), or a realignment of political parties, the prospect for the next several years is for go-slow politics at best, or political gridlock at worst. The partisan

wrangling that left the Bank of Japan leaderless for a month earlier this year is a good example of how dysfunctional Japanese politics has become. Former Prime Minister Abe's ambitious agenda, including constitutional revision and redefining "collective self-defense" to loosen the restraints on Japan's armed forces, are on hold for the foreseeable future.

Despite his difficulties and facing almost certain defeat if he calls an election at this point, Fukuda has said that he will not dissolve the Diet and hold a Lower House election before this summer's G-8 summit -- and the opposition-controlled Upper House can not legally compel him to do so. This has not stopped the opposition from using every tactic to force Diet dissolution and a general election. Fukuda, a shrewd politician no one should underestimate, is playing a fairly weak hand fairly well and should be able to stay on as Prime Minister at least until the fall.

The U.S.-Japan relationship is changing. Never before have the United States and Japan been involved so intensively in so many different issues around the globe. From working together to denuclearize the Korean Peninsula and manage China's peaceful rise, to our cooperative efforts on Operations Enduring Freedom and Iraqi Freedom, our relationship is truly global in nature.

The Japanese will look forward to hearing from you that

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America is committed to staying in Asia and maintaining the U.S.-Japan Security Alliance. They are also looking forward to hearing your views on the Six-Party Talks and our thoughts on a future Northeast Asia Peace and Security Mechanism (NEAPSM). Because of the primacy Japan attaches to its alliance relationship with us -- and the special status it affords Japan in the region -- the Japanese are wary of anything that could undermine the security relationship. Stressing to them that we see any new security mechanism in Northeast Asia as being built upon our existing alliance relationships will offer reassurance. They are also concerned that moving ahead with NEAPSM prior to the denuclearization of North Korea sends the wrong message to Kim Chong-il.

As you arrive, Japan's economic growth is slowing and public anxiety over economic disparities, the pension system and Japan's economic future in light of its demographics remains high. Economic policy under Prime Minister Fukuda has been in a state of drift, as he has little economic expertise and no strong economic advisor. The largest fiscal deficit in the OECD, a rapidly aging population, and its responsibility at the second largest economy in the world do not afford Japan the luxury of treading water on economic policy without consequence.

Japan welcomed the recent release of information on the DPRK-Syria nuclear connection and some believe that this may pressure North Korea to come clean about its proliferation and other activities. Although many Japanese understand the importance of denuclearization, prior abductions of Japanese citizens by the DPRK remain a highly emotional subject, and Prime Minister Fukuda still worries that North Korea will be de-listed without any progress on this front. He must work hard to manage public opinion on this matter.

Prime Minister Fukuda has already moved to improve relations with China, the ROK and the ASEAN countries. ROK Lee Myung-bak's recent visit was hailed by both sides as a "great success." Chinese President Hu Jintao will visit for several days from May 6. His visit was initially meant to highlight the new warming trend in bilateral relations, but a recent spate of bilateral irritants, coupled with negative prospects for resolution of East China Sea energy issues, has taken some of the bloom off the rose. The Japanese want to be good

hosts to the G-8 this summer in Hokkaido and will emphasize climate change, environmental issues, and Africa in coordination with the United States. Expect inquiries on what you think would constitute a good G-8 result. They will also want to know more about U.S. economic intentions with regard to Free-Trade agreements in the neighborhood. The Japanese need to be reminded that beef is still a very important issue to us.

In the past four months, U.S. servicemen have been involved in the rape of a 14-year-old girl, the murder of a taxi driver and a number of other theft and other incidents. While the media has moved on to other subjects, the Japanese would welcome your offer of sympathy and pledge every effort to see that the incidents are not repeated.

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Against the backdrop of these issues and political gridlock, it is important to understand that Japan has changed in fundamental and positive ways over the last six years. Former Prime Ministers Koizumi and Abe made hard political decisions and took steps once considered impossible. The SDF deployment to Iraq, Japan's refueling operation in the Indian Ocean, acceptance of a nuclear-powered carrier to replace the Kitty Hawk, the alliance transformation process, and enhanced intelligence sharing were without precedent and are the first steps in creating a new, more robust Japanese national security policy. Furthermore, the privatization of Japan Post, yielding assets larger than China's GDP, and the government's pledges to double foreign direct investment are two indications that the priorities of a \$4.7 trillion economy are also shifting. In terms of a transformation in public opinion, the once powerful, anti-American left no longer exists. While pacifism remains deeply ingrained in Japan, there is a new consensus among the public and elites both -- due in part to the DPRK threat and the PRC's growing power projection capabilities -- that the U.S.-Japan alliance is vital to Japan's national security.

Japan's hosting of this year's G-8 process so far has been lackluster, with little clear leadership emerging from a Fukuda administration almost entirely consumed with domestic politics. Despite obvious concerns over the impact of a slowing U.S. economy on Japan's own tepid growth, signs of GOJ backsliding on economic reform and investment liberalization continue to appear. The GOJ handling of another recent incident involving improperly exported U.S. beef, however, has been fairly constructive so far. We have yet to see any progress toward full opening of the market, and the Japanese remain concerned this topic could cloud the G-8 summit. Nevertheless, Japanese cooperation on climate change in the Major Economies process, and in managing the issue in the G-8, has been positive, and we continue to look to the Japanese for support on a range of global issues.

Japan's political turbulence is also having a negative impact on some of our important security priorities. The lack of political leadership has left a policy vacuum that is being filled by narrowly focused bureaucrats. While Tokyo committed under Prime Minister Koizumi to expanding the Japanese Self-Defense Force's (SDF) capabilities and roles, it continues to shortchange its military, delay acquisition of critical weapons systems, and pressure us to pay more in terms of operations and reduced host nation support, due to a difficult fiscal situation that is being exacerbated by slowing economic growth. The Fukuda administration has also been less aggressive in implementing base realignment than its predecessors.

While in the short term, we will have difficulty pressing any new security initiatives, we can still make solid progress on items already teed up. Force transformation, the associated move of Marines to Guam, and relocation of Futenma are moving in the right direction, albeit with some bumps in the road. Intelligence sharing is an ongoing success story, as is

Ballistic Missile Defense (BMD) cooperation and preparations for the forward deployment of the nuclear-powered aircraft carrier USS George Washington, a nuclear powered aircraft

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carrier to Japan.

A quick reference list of issues follows. Embassy Tokyo looks forward to seeing you soon.

Checklist

Six-Party Talks: Disablement activities are proceeding, but the DPRK has yet to provide a complete and correct declaration of its nuclear programs. U.S. action on the DPRK's designation as a state sponsor of terrorism will depend on progress on denuclearization and fulfillment of legal criteria; the recent announcement of DPRK-Syria nuclear ties underline the importance of North Korea's full declaration of all nuclear activities, including proliferation. We will continue to press the DPRK to address Japanese abductees and will work closely with Japan on this issue.

U.S.-Japan Alliance: Our Alliance is the cornerstone of U.S. policy in Northeast Asia, and essential for preserving peace and stability throughout the region. Force transformation spelled out in the Defense Policy Review Initiative (DPRI) is mutually beneficial and will strengthen Alliance capabilities. We are now entering the first phase of Okinawa consolidation and look forward to expeditious implementation of the agreed-to plan. We are not prepared to discuss changes.

Beef: Japan remains closed to U.S. beef and beef products from animals older than 20 months of age. Once our largest export market for beef, Japan now receives less than 25 percent of pre-2004 export levels. In a December letter to President Bush, PM Fukuda proposed raising age restrictions to include animals up to 30 months of age, a move he suggested would allow over 90 percent of U.S. beef exports. We strongly oppose this approach and have indicated that we would not cooperate in its implementation. The President has not answered Fukuda's letter.

Incidents Involving U.S. Forces: The ugly incidents in Okinawa and Yokosuka are truly regrettable, and our sympathy goes out to families involved. The U.S. government is committed to doing all it can to avoid future incidents.

Climate Change: Japan has been active in the Major Economies process, and close cooperation on climate remains one of the bright spots in our relationship. Japan has agreed to host a Major Economies leaders summit on the last day of the G8. Japan has been pushing a bottom-up, sectoral approach to determining national greenhouse gas reduction goals, as opposed to the top-down, cap-and-trade policies promoted by the EU. However, Japan is most likely moving toward setting up a domestic emissions trading platform, according to a senior MOFA official.

Information Sharing and Security: The Bilateral Information Security Task Force (BISTF) process is at an important stage. Broadening participation on the Japanese side is a critical step toward realizing government-wide measures for protecting

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classified information. Improved security will allow both sides to develop a deeper, more robust information sharing regime, further strengthening the alliance. We urge Japan to pass an official secrets act.

Child Pornography: The Japanese Diet has responded

positively to the Ambassador's public campaign to criminalize the possession of child pornography, which remains legal in Japan and Russia alone among the G8 member countries. We hope that a law criminalizing possession will be passed in May.

Multilateral Security Cooperation: The United States remains committed to its close cooperation with Japan and Australia. We look forward to a constructive dialogue at the June 27 Trilateral Security Dialogue Ministerial in Kyoto (following the G8 Foreign Ministerial). We also support Japan's outreach to NATO and like-minded countries on security initiatives.

Burma: Japan has scaled back its aid to Burma, but has not imposed economic sanctions, although it discourages companies from investing in Burma. Japan could do more, but fears driving Burma closer to China.

China: Prime Minister Fukuda has worked hard to improve relations with China, but bilateral irritants such as the frozen food poisoning case and Tibet crackdown have made preparations for Hu Jintao's May 6-10 visit a chore.

Korea: President Lee's April 20-21 visit was deemed a "great success," and both sides have expressed a desire to build a Japan-ROK relationship that is "different from the relationship up until now," although Korea remains less interested than Japan in restarting FTA talks. The United States is interested in strengthening trilateral relations; we are still considering appropriate modalities.

Iraq: With \$1.5 billion in grants, up to \$3.5 billion in concessionary loans, and \$6 billion in debt relief, Japan is the second-largest contributor to Iraqi reconstruction. On January 25, Japan and Iraq concluded disbursement agreements for eight reconstruction projects worth \$1.5 billion. On April 22 MOFA announced an agreement on two additional projects. These agreements signify Japan's continued strong support for Iraqi reconstruction. Japan's Air Self-Defense Forces have deployed 200 personnel and three C-130 aircraft in Kuwait to transport cargo and personnel in Iraq. The government has clearly said it disagrees with dicta in a recent court case that suggested the ASDF deployment was unconstitutional.

Afghanistan: In January, Japan passed legislation to restart refueling operation in support of Operation Enduring Freedom.

Japan is working more closely with the PRTs and has assigned a full-time liaison officer to NATO's office in Kabul. Japan is the third highest bilateral contributor (behind the U.S. and UK) to Afghanistan, with \$1.4 billion pledged since 2002. Japan's most visible endeavor in Afghanistan is the construction of a 114 kilometer stretch of the southern ring road. This project, originally scheduled

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for completion in 2005, has been beset by delays stemming from Japan's security concerns. We have been pressing them to complete the road and have also recently been asking the Japanese to consider providing airlift helicopters to support operations in Afghanistan.

Middle East Peace Process: Japan is moving forward with its "Corridor for Peace and Prosperity" initiative that will establish an agro-industrial park in the West Bank, and pledged \$150 million in project assistance at the December Paris donors' conference. Last August, Japan resumed direct assistance to the PA, contributing \$20 million. Prime Minister Olmert visited Tokyo February 25-28 making him the first Israeli Prime Minister to visit in eleven years.

Iran: Japan is implementing UNSCRs 1737, 1747 and 1803. On April 22 Japan became one of the first countries to announce asset freezes against designated Iranian individuals and entities pursuant to 1803. Japan is among Iran's top export

markets (mostly oil) and is Iran's 10th largest supplier of machinery and manufactured goods. Most Japan-Iran trade is covered by short-term credits. Still, since April 2006, the Japan Bank for International Cooperation (JBIC) has ceased issuing Iran new long-term export credits and Japan has promised to begin closing outstanding long-term credits.

Pakistan: Japan is providing education assistance and has said it will consider additional aid once the security situation improves. VFM Yabunaka told you when you met on April 9 that Japan will double its loan assistance to Pakistan to \$400 million for infrastructure projects.

Russia: Russia has expressed understanding of Japan's BMD program while showing increasing interest in U.S.-Japan BMD cooperation. The recent overflight incident involving a Russian bomber demonstrates Russia's unhelpful attitude toward the alliance and regional security.

Africa: We urge Japan to ensure that the Government of Zimbabwe's blatant violation of its human rights obligations and massive corruption is thoroughly discussed as an impediment to African development at the fourth Tokyo International Conference on Africa and Development in May.

End Text.
DONOVAN